

RD AN No. 3536 (1940-L)

April 21, 2000

TO: All State Directors  
Rural Development

ATTN: Rural Housing Program Directors, State Architects,  
and State Engineers

FROM: James C. Kearney  
Administrator  
Rural Housing Service

SUBJECT: Section 502 Direct Funding Set-Aside

**PURPOSE/INTENDED OUTCOME:**

In accordance with RD Instruction 1940-L, Exhibit A, Attachment 2, \$3 million has been set aside for Fiscal Year (FY) 2000 Innovative Demonstration Initiatives under the Section 502 Direct program.

**COMPARISON WITH PREVIOUS AN:**

This AN updates RD AN No. 3454 (1940-L) which was issued on March 18, 1999 and expired on September 30, 1999.

**IMPLEMENTATION RESPONSIBILITIES:**

State Directors are authorized to use funds for the Section 502 Direct Innovation Demonstration Initiatives on a project-by-project basis. Under Section 506(b) of the Housing Act of 1949, the Rural Housing Service may provide loans to eligible Section 502 customers for innovative housing design, units, and systems which do not meet existing published standards, rules, regulations, or policies. These innovative housing units should reduce cost, raise living standards, and improve rural area living environments.

EXPIRATION DATE: September 30, 2000

FILING INSTRUCTIONS:  
Preceding RD Instruction 1940-L

In an effort to ensure full utilization of these funds and to ensure field awareness, each State Director should review and discuss their need for the program in the State. During previous fiscal years, funding for this initiative has been set aside and not used. It is imperative that interested parties are informed of the availability of the funds. The State must have an outreach plan that ensures all ethnic and racial groups have information on the program and are full participants in the program.

The State Office must designate a contact person who is able to answer questions and supply the necessary information. In addition, the State Offices may wish to develop a basic fact sheet concerning this initiative and disseminate this information to field staffs. Interested parties are to be referred to the State Office for further information. A list of all persons inquiring about the program should be recorded. This list should include information such as: whether an application package was sent out, whether an application is submitted, and the disposition of the package. Applications received are to be reviewed and processed on a first-come, first-served basis. Documentation of the actions taken on applications is to be maintained to verify that this has been done.

All application packages received by the State Director must be evaluated and submitted to the National Office for review. Based on the subject application and the proposed concept, the package will be reviewed and determined if acceptable for funding under the Innovative Demonstration Initiative. Each proposal should include a proposed allocation for the dwelling to be built.

When the National Office notifies the State Director of acceptance of the demonstration concept, the affected Community Development Manager should be made aware of the approval and be prepared to issue conditional commitments for proposed dwellings. Each borrower's file should be permanently marked as a demonstration dwelling.

Attachments I through IV, respectively, provide the State Office Role and Responsibilities, Application for Approval of Housing Innovation, the State Office Technical Evaluation Sheet, and Proposal Content and Evaluation Criteria.

For questions pertaining to this AN, please contact Gloria Denson in Single Family Housing Direct Loan Division at (202) 720-1487.

Attachments (not automated)